COMMUNITY LIVING BRITISH COLUMBIA

Audited Financial Statements

March 31, 2014

COMMUNITY LIVING BRITISH COLUMBIA

Management's Report

Management's Responsibility for the Financial Statements

The financial statements of Community Living British Columbia as at March 31, 2014, and for the year then ended, have been prepared by management in accordance with the basis of accounting described in Note 2(a). Other significant accounting policies are described in Notes 2(b)-(e) to the financial statements.

Management is responsible for the integrity and objectivity of these financial statements, and for ensuring that the notes to the financial statements are consistent with the information contained in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that the financial information produced is reliable. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation and review of the financial statements.

The Board of Directors ("Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal financial statements on a regular basis and external audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination, and their opinion on these financial statements. The external auditors have full and free access to management and the Board.

On behalf of Community Living British Columbia

Doug Woollard
Interim Chief Executive Officer

Richard Hunter
Vice President Corporate Services

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Independent Auditor's Report

To the Board of Directors of
Community Living British Columbia, and
to the Minister of Social Development, Province of British Columbia

We have audited the accompanying financial statements of Community Living British Columbia, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net debt and cash flows for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of financial position of Community Living British Columbia as at March 31, 2014 and the statements of operations, changes in net debt and cash flows for the year then ended are prepared, in all material respects, in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

We draw attention to Note 2 (a) to the financial statements which describes the basis of accounting used in the preparation of these financial statements and the significant difference between the basis of accounting and Canadian Public Sector Accounting Standards. Our opinion is not qualified in respect of this matter.

Deloitte LLP

Chartered Accountants
May 22, 2014
Vancouver, British Columbia

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Financial Position

(Expressed in thousands of dollars)

As at March 31

	2014	2013
Financial Assets		
Cash	$ 22,782	$ 11,912
Accounts receivable (Note 5)	16,275	17,189
Employee retiring allowance amounts receivable (Note 6a)	948	852
	40,005	29,953
Liabilities		
Accounts payable and accrued liabilities	16,220	12,161
Salaries, wages and benefits payable	4,155	3,848
Employee leave liabilities	1,470	1,309
Employee retiring allowance liabilities (Note 6a)	1,574	1,321
Capital lease obligations (Note 7)	35	108
Deferred operating contributions (Note 8)	13,066	6,204
Unspent deferred capital contributions (Note 9)	676	2,222
Deferred capital contributions used to purchase tangible capital assets (Note 9)	9,873	10,426
	47,069	37,599
Net Debt	(7,064)	(7,646)
Non-Financial Assets		
Tangible capital assets (Notes 9 & 10)		
Funded by capital contributions	9,873	10,426
Unfunded	180	377
	10,053	10,803
Prepaid expenses	759	591
	10,812	11,394
Accumulated Surplus (Note 11)	$ 3,748	$ 3,748

Commitments, contractual obligations and contingencies (Note 16)

Approved on behalf of the Board:

Denise Turner
Chair

Arn van Iersel
Finance & Audit Committee Chair

The accompanying notes are an integral part of these financial statements.

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Operations

(Expressed in thousands of dollars)

For the years ended March 31

	2014 Budget (Note 17)	2014 Actual	2013 Actual
Revenues			
Operating contributions from the Province of British Columbia (Note 8)	$ 739,267	$ 769,385	$ 727,306
Cost sharing agreements with regional health authorities	13,000	13,641	13,287
Interest income	700	640	645
Other income	474	983	727
Amortization of deferred capital contributions (Note 9)	3,185	4,129	3,025
	756,626	788,778	744,990
Expenses (Note 15)			
Supports and services:			
Developmental Disabilities Program	688,151	715,344	680,009
Personalized Supports Initiative	9,552	12,913	9,858
Provincial services	4,688	4,810	4,552
Regional operations & administration	50,850	51,385	47,232
Amortization of tangible capital assets	3,385	4,326	3,339
	756,626	788,778	744,990
Annual surplus	$ -	-	-
Accumulated surplus at beginning of year		3,748	3,748
Accumulated surplus at end of year		$ 3,748	$ 3,748

The accompanying notes are an integral part of these financial statements.

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Changes in Net Debt

(Expressed in thousands of dollars)

For the years ended March 31

	2014 Budget (Note 17)	2014 Actual	2013 Actual
Annual surplus	$ -	$ -	$ -
Acquisition of tangible capital assets	(3,530)	(3,576)	(3,289)
Amortization of tangible capital assets	3,385	4,326	3,339
Loss on disposal of tangible capital assets	-	-	13
	(145)	750	63
(Increase) decrease in prepaid expenses		(168)	34
Decrease in net debt		582	97
Net debt at the beginning of year		(7,646)	(7,743)
Net debt at the end of year		$ (7,064)	$ (7,646)

The accompanying notes are an integral part of these financial statements.

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Cash Flows

(Expressed in thousands of dollars)

For the years ended March 31

	2014	2013
Cash provided by (used in):		
Operating activities		
Annual surplus	$ -	$ -
Items not involving cash:		
Amortization of deferred capital contributions	(4,129)	(3,025)
Amortization of tangible capital assets	4,326	3,339
Loss on disposal of tangible capital assets	-	13
	197	327
Decrease (increase) in non-cash working capital	12,292	(9,720)
	12,489	(9,393)
Financing activities		
Additions to deferred capital contributions	2,030	1,976
Reduction in obligations under capital leases	(73)	(102)
	1,957	1,874
Capital activities		
Purchase of tangible capital assets	(3,576)	(3,289)
	(3,576)	(3,289)
Increase (decrease) in cash	10,870	(10,808)
Cash, beginning of year	11,912	22,720
Cash, end of year	$ 22,782	$ 11,912
Supplemental information:		
Interest received	$ 628	$ 647
Interest paid	$ 1	$ 4

The accompanying notes are an integral part of these financial statements.

1. Authority and purpose

Community Living British Columbia ("CLBC") was established on July 1, 2005 under the Community Living Authority Act as a Crown Corporation of the Province of British Columbia. CLBC is accountable to the provincial government through the Minister of Social Development and Social Innovation (the "Minister") and is dependent on the Ministry of Social Development and Social Innovation ("SDSI") for funding.

CLBC provides community living supports and services under the Developmental Disabilities Program or the Personal Supports Initiative to adults who are, respectively, either developmentally disabled or have a significant limitation in adaptive functioning along with a diagnosis of Fetal Alcohol Spectrum Disorder or Pervasive Developmental Disorder. Supports and services are also provided to families caring for an adult with a developmental disability.

Supports and services are delivered throughout the province of British Columbia by independent service providers under contract with CLBC.

Under the Community Living Authority Act, CLBC is exempt from both federal and provincial income and capital taxes.

2. Significant accounting policies

a) Basis of accounting

These financial statements have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of British Columbia that requires the accounting policies and practices of government organizations to conform to generally accepted accounting principles for senior governments in Canada, as modified by any alternative standard or guideline that is made by the Treasury Board. The Canadian Public Sector Accounting Standards ("PSAS") are the generally accepted accounting principles for senior governments in Canada.

A Treasury Board regulation issued in November 2011 requires tax-payer supported organizations to adopt the accounting policies for capital contributions and other restricted contributions described in note 2(b). Those accounting policies are significantly different from PSAS which requires that government transfers with stipulations be recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Any such liability is reduced, and an equivalent amount of revenue is recognized, as the liability is settled.

The basis of accounting that CLBC applies is different from PSAS with respect to the timing of revenue recognition for government transfers that are restricted for capital purposes. If CLBC had recorded government transfers under PSAS rather than the accounting policy described in note 2(b), capital contributions recognized as revenue and the annual surplus for the year ended March 31, 2014 would have decreased by $553 (2013 – increased by $252). As at March 31, 2014, deferred capital contributions used to purchase tangible capital assets would have decreased and the accumulated surplus would have increased by $9,873 (2013 – $10,426). Under PSAS, the total cash flows from operating, financing, and capital activities for the years ended March 31, 2014 and 2013 would have been the same as reported in these financial statements.

Had CLBC adopted PSAS together with the not-for-profit provisions, another basis of accounting under Canadian generally accepted accounting principles, capital contributions recognized as revenue, deferred capital contributions used to purchase tangible capital assets, and the annual surplus for each year would have been the same as reported in these financial statements.

b) Revenue recognition

Operating contributions from the Province of British Columbia are accounted for in accordance with PS 3410 – *Government Transfers*. Under PS 3410, contributions without stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, and contributions that are subject to stipulations are recognized as revenue in the period when such stipulations are met.

Government transfers received for the purpose of developing or acquiring a depreciable tangible capital asset are deferred and recognized as revenue at the same rate as the amortization, and any impairment, of the tangible capital asset.

Cost sharing agreements with the Province of British Columbia and related entities, interest income and other income are recognized as revenue in the period the transactions or events giving rise to the revenues occur.

c) Financial instruments

Financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, salaries, wages and benefits payable.

Financial instruments are accounted for in accordance with PS 3450 – *Financial Instruments*. Accounts receivable are carried at cost less a valuation allowance. Accounts payable, accrued liabilities, salaries, wages and benefits payable are carried at cost or an estimate thereof.

d) Tangible capital assets

Tangible capital assets are initially recorded at cost. When a tangible capital asset no longer contributes to CLBC's ability to provide services, or the future economic benefit to be provided by a tangible capital asset has permanently declined below its book value, the carrying value of the asset is reduced to reflect the decline in value. Amortization is calculated on a straight-line basis over the assets' estimated useful lives or lease terms at the following rates:

Leasehold improvements	Lease term to a maximum of 5 years
Vehicles	7 years
Furniture and equipment	5 years
Information systems	3-5 years

Assets acquired under capital leases are amortized over the lesser of the estimated life of the asset and the lease term. Systems development work-in-progress represents the unamortized costs incurred for the development of information technology which is not substantially complete. On completion, the work-in-progress balance is transferred to the completed assets account and amortized over its estimated useful life.

e) Employee future benefits

Liabilities are recorded for employee retiring allowance benefits as employees render services to earn those benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service. That method incorporates management's best estimate of future salary levels, retirement ages of employees, and other actuarial factors.

Defined contribution plan accounting is applied to the multi-employer defined benefit pension plan because sufficient information is not available to apply defined benefit accounting. Accordingly, contributions are expensed as they become payable.

3. Measurement uncertainty

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of employee retiring allowance amounts receivable, accrued liabilities, employee leave liabilities, employee retiring allowance liabilities and the useful lives of tangible capital assets. Actual results could differ from these estimates.

4. Comparatives

Certain comparative figures have been restated to conform with the current year's presentation.

5. Accounts receivable

	2014	2013
Due from the Province of British Columbia	$ 15,189	$ 15,675
GST recoverable	599	596
Other receivables	860	1,282
	16,648	17,553
Valuation allowance	(373)	(364)
	$ 16,275	$ 17,189

6. Employee future benefits

a) Employee retiring allowance benefits

Employees with 20 years of service and having reached a certain age are entitled to receive certain lump sum payments upon retirement. These retiring allowance benefit payments are based upon final salary levels and the number of years of service.

Where employees of CLBC have accrued service with other British Columbia government organizations, under an agreement between CLBC and the BC Public Service Agency (PSA), the portion of retiring allowance benefits attributable to periods of employee service other than at CLBC, is recoverable from the PSA.

Retiring allowance liabilities and the related receivable from PSA as of March 31, 2014 and 2013 are based on an actuarial valuation at March 31, 2014. The next actuarial valuation will be at March 31, 2017.

	2014	2013
Benefit obligation	$ 1,574	$ 1,321
Amount recoverable from PSA	$ 948	$ 852
Assumed discount rate	4.00%	4.50%
Assumed rate of compensation increase	3.75%	3.75%
Benefit expense	$ 70	$ 88
Benefits paid	$ 87	$ 113

b) Employee pension benefits

CLBC and its employees contribute to the Public Service Pension Plan (the "Plan"), a multi-employer defined benefit plan with approximately 56,000 active members which is administered by the British Columbia Pension Corporation.

CLBC's contributions to the Plan of $2,933 (2013 - $2,746) were expensed during the year.

The most recent actuarial valuation, at March 31, 2011, disclosed an actuarial deficit of $226,000. The next actuarial valuation will be at March 31, 2014 with results available in 2015.

7. Capital lease obligations

The minimum future lease payments under capital leases are as follows:

	2014	2013
Year ending March 31,		
2014	$ -	$ 74
2015	24	24
2016	12	12
	36	110
Less amount representing interest	(1)	(2)
	$ 35	$ 108

8. Deferred operating contributions

Deferred operating contributions represent unspent amounts received from the Province of British Columbia that are restricted for specific operating purposes. Amounts recognized as revenue in the Statement of Operations are recorded as operating contributions from the Province of British Columbia.

	2014	2013
Deferred operating contributions, beginning of year	$ 6,204	$ 4,721
Restricted operating contributions received	34,310	32,310
Amounts recognized as revenue	(27,448)	(30,827)
Deferred operating contributions, end of year	$ 13,066	$ 6,204

9. Deferred capital contributions

Deferred capital contributions represent amounts received from the Province of British Columbia, restricted for the purposes of acquiring tangible capital assets, which have not been recognized as revenue.

Deferred capital contributions:	2014			
	Spent	Unspent	Total	2013
Balance, beginning of year	$ 10,426	$ 2,222	$ 12,648	$ 13,697
Contributions received	-	2,030	2,030	1,976
Contributions used to purchased tangible capital assets	3,576	(3,576)	-	-
Amounts recognized as revenue	(4,129)	-	(4,129)	(3,025)
Balance, end of year	$ 9,873	$ 676	$ 10,549	$ 12,648

Funded and unfunded tangible capital assets at net book value:

	2014			
	Funded	Unfunded	Total	2013
Balance, beginning of year	$ 10,426	$ 377	$ 10,803	$ 10,866
Purchases	3,576	-	3,576	3,289
Amortization	(4,129)	(197)	(4,326)	(3,339)
Disposals	-	-	-	(13)
Balance, end of year	$ 9,873	$ 180	$ 10,053	$ 10,803

March 31, 2014

10. Tangible capital assets

	Leasehold improvements	Vehicles under capital lease	Vehicles	Furniture and equipment	Information systems	Systems develop. work-in-progress	Total
Cost:							
March 31, 2012	$ 1,901	$ 711	$ 337	$ 1,179	$ 17,685	$ 1,732	$ 23,545
Additions	61	-	80	11	19	3,118	3,289
Disposals	(337)	-	-	(118)	(809)	-	(1,264)
Transfers	-	-	-	-	2,524	(2,524)	-
March 31, 2013	$ 1,625	$ 711	$ 417	$ 1,072	$ 19,419	$ 2,326	$ 25,570
Additions	80	-	151	41	5	3,299	3,576
Disposals	-	(127)	(24)	-	(4,975)	-	(5,126)
Transfers	-	(100)	100	-	2,958	(2,958)	-
March 31, 2014	$ 1,705	$ 484	$ 644	$ 1,113	$ 17,407	$ 2,667	$ 24,020
Accumulated Amortization:							
March 31, 2012	$ 1,527	$ 501	$ 107	$ 731	$ 9,813	-	$ 12,679
Additions	155	102	37	132	2,913	-	3,339
Disposals	(337)	-	-	(117)	(797)	-	(1,251)
Transfers	-	-	-	-	-	-	-
March 31, 2013	$ 1,345	$ 603	$ 144	$ 746	$ 11,929	-	$ 14,767
Additions	103	73	49	108	3,993	-	4,326
Disposals	-	(127)	(24)	-	(4,975)	-	(5,126)
Transfers	-	(100)	100	-	-	-	-
March 31, 2014	$ 1,448	$ 449	$ 269	$ 854	$ 10,947	-	$ 13,967
Net Book Value:							
March 31, 2013	$ 280	$ 108	$ 273	$ 326	$ 7,490	$ 2,326	$ 10,803
March 31, 2014	$ 257	$ 35	$ 375	$ 259	$ 6,460	$ 2,667	$ 10,053

11. Accumulated surplus

The accumulated surplus of $3,748 at March 31, 2014 and 2013 includes $1,272 resulting from the transfer of the net assets of the Interim Authority for Community Living British Columbia to CLBC on October 7, 2005. CLBC has issued and registered to the Minister of Finance one share with a par value of ten dollars, which is also included in accumulated surplus.

12. Financial instruments

In management's opinion, CLBC is not exposed to significant credit, currency, interest rate, liquidity and market risks relating to the valuation of financial instruments.

Cash is held in a savings account and is insured by the Credit Union Deposit Insurance Corporation. CLBC routinely monitors receivables for credit risk through analysis of the nature, terms and aging of receivables. CLBC's maximum exposure to credit risk at March 31, 2014 is $39,057 (2013 - $29,101) of which $38,570 (2013 - $28,183) is insured by the Credit Union Deposit Insurance Corporation or is due from the Province of British Columbia or the Government of Canada.

Accounts payable, accrued liabilities, salaries, wages and benefits payable are payable within one year.

13. Related party transactions

CLBC is related to various British Columbia public sector entities through common control by the Province of British Columbia. Transactions with these entities and the Province of British Columbia are considered to be in the normal course of operations and are recorded at their exchange amounts.

The amounts of related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

	2014		2013	
	Province of BC	BC public sector entities	Province of BC	BC public sector entities
For the year ended March 31:				
Other income	$ 724	$ -	$ 315	$ -
Contracted services:				
Developmental Disabilities Program	-	5,756	125	5,769
Personal Supports Initiative	-	-	-	33
Provincial services	1,462	-	1,354	-
Regional operations & administration	10,612	186	10,561	265
As at March 31:				
Accounts receivable	$ 15,189	$ 244	$ 15,675	$ 80
Accounts payable and accrued liabilities	513	840	610	862
Salaries, wages and benefits payable	118	-	129	-
Prepaid expenses	39	-	39	-

14. Segment reporting

CLBC operates in one business segment as described in Note 1.

15. Expenses by object

	2014	2013
Contracted supports and services	$ 729,417	$ 690,966
Compensation and benefits	39,031	35,868
Building occupancy costs	5,105	5,083
General expenses	5,133	4,512
Communications and information technology	3,775	3,383
Administration costs	1,991	1,839
Amortization of tangible capital assets	4,326	3,339
	$ 788,778	$ 744,990

16. Commitments, contractual obligations and contingencies

a) Operating lease commitments

CLBC leases premises and equipment under operating leases. Minimum future lease payments as at March 31, 2014 are as follows:

Year ending March 31,	
2015	$ 5,006
2016	4,225
2017	2,860
2018	529
2019 and beyond	299

b) Contractual Obligations

Contracted supports and services are primarily delivered by independent service providers under the terms of contracts which have termination notice periods of between 30 and 90 days.

c) Litigation

The nature of CLBC's activities is such that there is occasional litigation where CLBC is named as a defendant. With respect to known claims, management is of the opinion that CLBC has valid defences and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on CLBC's financial position and results of operations. Where it is determined that a liability exists and the amount can be reasonably determined, the amount is recorded as an accrued liability and an expense.

17. Budgeted figures

Budgeted figures are provided for comparison purposes and represent the approved budget as disclosed in the CLBC 2013/14 Service Plan dated February 19, 2013.